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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**TES  
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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING January 1, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: PDC Securities Incorporated

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

120 Genesis Blvd.  
(No. and Street)

Bridgeport WV 26330  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Darwin L. Stump (304) 842-6256  
(Area Code - Telephone Number)**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Pricewaterhouse Coopers LLC  
(Name - if individual, state last, first, middle name)

600 Grant Street Pittsburgh PA 15219  
(Address) (City) (State) (Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

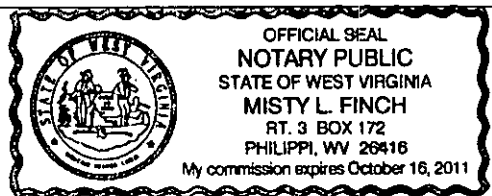
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## OATH OR AFFIRMATION

I, Darwin L. Stump, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PDC Securities Incorporated, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_



Darwin L. Stump  
Signature

\_\_\_\_\_  
President Title

Misty L. Finch  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Financial Statements and Supplementary Schedules

December 31, 2007

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**Report of Independent Auditor**

To the Board of Directors and Stockholder  
of PDC Securities Incorporated:

We have audited the accompanying statement of financial condition of PDC Securities Incorporated (the Company) as of December 31, 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that are being filed pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PDC Securities Incorporated as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

Pittsburgh, Pennsylvania  
February 28, 2008

**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Statement of Financial Condition

December 31, 2007

<b>Assets</b>	
Cash	\$ 455,482
Accounts receivable	<u>16,000</u>
Total assets	<u>\$ 471,482</u>
<b>Liabilities and Stockholder's Equity</b>	
Accounts payable	\$ 26,295
Due to parent	<u>6,694</u>
Total liabilities	32,989
Stockholder's equity:	
Common stock, par value \$.10 per share; authorized 1,000,000 shares; issued and outstanding 50,000 shares	5,000
Additional paid-in capital	500,000
Retained earnings (deficit)	<u>(66,507)</u>
Total stockholder's equity	<u>438,493</u>
Total Liabilities and Stockholder's Equity	<u>\$ 471,482</u>

See accompanying notes to financial statements.

**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Statement of Operations

Year ended December 31, 2007

Revenues:		
Securities commissions	\$	8,808,380
Interest income		3,628
Other		35,000
		<u>8,821,508</u>
Expenses:		
Commissions paid to other broker-dealers		8,276,432
Regulatory fees and expenses		34,331
Other operating expenses		680,135
		<u>8,965,398</u>
	Loss before income taxes	(143,890)
Income tax benefit		<u>(53,306)</u>
	Net loss	<u>\$ (90,584)</u>

See accompanying notes to financial statements.

**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Statement of Changes in Stockholder's Equity

Year ended December 31, 2007

	<u>Common stock issued</u>		<u>Additional paid-in capital</u>	<u>Retained earnings (deficit)</u>	<u>Total</u>
	<u>Number of shares</u>	<u>Amount</u>			
Balance December 31, 2006	50,000	\$ 5,000	\$ 500,000	\$ 24,077	\$ 529,077
Net loss	—	—	—	(90,584)	(90,584)
Balance December 31, 2007	<u>50,000</u>	<u>\$ 5,000</u>	<u>\$ 500,000</u>	<u>\$ (66,507)</u>	<u>\$ 438,493</u>

See accompanying notes to financial statements.

**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Statement of Cash Flows

Year ended December 31, 2007

Cash flows from operating activities:	
Net loss	\$ (90,584)
Adjustments to net loss to reconcile to cash used in operating activities:	
Increase in accounts receivable	(14,400)
Decrease in prepaid expenses	94,000
Decrease in due to parent	(8,931)
Decrease in accounts payable	<u>(1,928)</u>
Total adjustments	<u>68,741</u>
Net cash used in operating activities	<u>(21,843)</u>
Net decrease in cash and cash equivalents	(21,843)
Cash and cash equivalents, beginning of year	<u>477,325</u>
Cash and cash equivalents, end of year	\$ <u><u>455,482</u></u>
Supplemental Disclosures:	
Cash paid to parent for income taxes	\$ <u>15,625</u>

See accompanying notes to financial statements.



**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Notes to Financial Statements

December 31, 2007

**(1) Summary of Significant Accounting Policies**

***Organization***

PDC Securities Incorporated (the Company) is a wholly owned subsidiary of Petroleum Development Corporation (PDC). The Company was organized as a broker-dealer to sell direct participation interests in oil and gas limited or general partnerships in which PDC is the general or managing general partner. Substantially all the Company's revenues are derived from the commissions on the sale of partnership units in partnerships sponsored by PDC. During 2007, one limited partnership, Rockies Region 2007 Limited Partnership, was formed. All revenue for securities commissions and all expenses for commission paid to broker/dealers are related to the sale of interests in this partnership.

The Company is a registered broker/dealer under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is exempt from the provisions of Rule 15c-3-3 (pursuant to paragraph k(2)(i) of such Rule) under the Securities Exchange Act of 1934 as an introducing broker or dealer that carries no customers' accounts, promptly transmits any customer funds and customer securities to the clearing broker or dealer, and does not otherwise hold funds or securities of customers. Operating under such exemption, the Company has not prepared a Determination of Reserve Requirements for Brokers or Dealers.

***Securities Transactions***

The Company sells direct participation interests in oil and gas limited or general partnerships on a commission basis. The Company does not collect any cash from customers; rather, cash is paid by customers directly to the issuing partnerships who pay the Company. Securities transactions, together with the related income and expenses, are recorded starting when the partnership meets the minimum funding requirement and continuing until all escrow funds have been released after the date of closing for the partnership.

***Income Taxes***

On January 1, 2007, PDC adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes. There was no impact to the Company, as a result of the adoption.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered and settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company joins with PDC in filing consolidated federal and state income tax returns. The Company's federal and state income tax liability is settled between the Company and PDC, as if the Company had filed separate returns.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. As of December 31, 2007 there were no cash equivalents.

**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Notes to Financial Statements

December 31, 2007

(Continued)

***Use of Estimates***

The preparation of the financial statements, in accordance with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(2) Net Capital Requirements**

The Company, as a registered broker and dealer in securities, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which is administered by the National Association of Securities Dealers, Inc. (NASD). This rule requires that the Company's "aggregate indebtedness" not exceed 15 times its "net capital," as such terms are defined in Rule 15c3-1. The NASD may require a broker/dealer to reduce its business activity if its aggregate indebtedness to net capital ratio should exceed 12 to 1 and may prohibit a broker/dealer from expanding its business if the ratio exceeds 10 to 1. The Company had net capital at December 31, 2007 of \$422,493, which exceeded its net capital requirement by \$417,493.

**(3) Income Taxes**

Income tax benefit for the year ended December 31, 2007 is as follows:

	<u>2007</u>
Current:	
Federal	\$ (41,562)
State	<u>(11,744)</u>
Total	<u>\$ (53,306)</u>

There are no temporary differences which give rise to deferred tax assets or deferred tax liabilities. Therefore, the above income tax expense was computed based on the Company's allocated effective tax rate from PDC.

The tax related balance due from PDC as of December 31, 2007 of \$53,306 is included in due to parent in the accompanying balance sheet. The Company's effective rate varied from the Federal Statutory Rate as a result of state income taxes and limitations on the deductibility of business meals and entertainment.

**(4) Related Party Transactions**

PDC allocates certain administrative and general expenses. These expenses amounted to \$60,000 in 2007. Such amounts are included in due to parent in the accompanying balance sheet.

The Company received \$130,162 from the Rockies Region 2007 Limited Partnership during 2007. The Company recorded this receipt in securities commission revenue. This payment represents the reimbursement of costs paid to other broker/dealers for due diligence. These costs are recorded in commission paid to other broker/dealers.

**(5) Subsequent Event**

On January 7, 2008, Petroleum Development Corporation announced that it does not plan to sponsor new drilling partnerships in 2008 in order to focus its efforts on maximizing the value of the existing partnerships and continuing growth through drilling and exploration.

**PDC SECURITIES INCORPORATED**

(A Wholly Owned Subsidiary of Petroleum Development Corporation)

## Supplementary Data Required by SEC Rule 17a-5

December 31, 2007

**Computation of Net Capital**

	<u>2007</u>
Total stockholder's equity	\$ 438,493
Less non-allowable assets	<u>16,000</u>
Net capital	<u><u>\$ 422,493</u></u>

**Computation of Basic Net Capital Requirement**

Minimum net capital required (greater of (6-2/3% of aggregate indebtedness or \$5,000)	\$ <u>5,000</u>
Excess Net capital (net capital less minimum net capital)	<u>\$ 417,493</u>
Excess Net capital at 1000% (net capital less 10% of aggregate indebtedness)	<u><u>\$ 419,194</u></u>

**Computation of Aggregate Indebtedness (AI)**

Accounts payable	\$ 26,295
Due to parent	<u>6,694</u>
Total aggregate indebtedness liabilities	<u><u>\$ 32,989</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>7.8%</u></u>

No material differences exist between the net capital computations above and the computation included in the Company's corresponding unaudited FOCUS Report, for X-17A-5, Part II filed with the NASD on January 25, 2008.

See accompanying independent auditors' report.

**PDC SECURITIES INCORPORATED**

(A Wholly Owned Subsidiary of Petroleum Development Corporation)

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**

**FOR BROKER-DEALERS**

**AND INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3 OF  
THE**

**SECURITIES AND EXCHANGE COMMISSION**

**DECEMBER 31, 2007**

The Company claims exemption from Rule 15c3-3 of the Securities and Exchange Commission under paragraph k(2)(i) of that Rule.

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**PDC SECURITIES INCORPORATED**  
(A Wholly Owned Subsidiary of Petroleum Development Corporation)

Financial Statements and Supplementary Schedules

December 31, 2007

(With Independent Auditors' Report Thereon)



FEB 29 2008

Washington, DC

PricewaterhouseCoopers LLP  
600 Grant Street  
Pittsburgh PA 15219  
Telephone (412) 355 6000

To the Board of Directors and Stockholder of  
PDC Securities Incorporated:

In planning and performing our audit of the financial statements of PDC Securities Incorporated (the "Company") as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in making the following:

1. The periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); and
2. Determining compliance with the exemptive provisions of Rule 15c3-3.

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; and
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more





than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first, second, and third paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Price Waterhouse Coopers LLP*

Pittsburgh, Pennsylvania  
February 28, 2008